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Oh, Grow Up

These 8 steps will take your business from awkward adolescent to full-grown adult.

By Mark Henricks | [Entrepreneur Magazine](#) - October 2007

URL: <http://www.entrepreneur.com/magazine/entrepreneur/2007/october/184390.html>

In four years of running her event planning business, Hope Lawrence has reached some milestones, including hiring her first employee and taking her first vacation. But now, the Austin, Texas, entrepreneur wants to take Michelle Hope Events to the next level. "We want to grow and do more corporate-event planning," says the 33-year-old, who envisions adding two event planners to her current staff of three, consistently and profitably surpassing the \$125,000 in revenue she earned in 2006, and changing her own role from event architect to business strategist to develop contacts with corporate prospects.

"Our main challenge is making the right connections," Lawrence says. "Once we make the right connection--either with the right corporate-event planner, administrative assistant or marketing executive, and when they see what we can do for them and how we can measure the effectiveness of our events--almost all barriers are down."

No matter how much they accomplish, entrepreneurs are rarely satisfied and are usually preoccupied with a desire to turn their startup into a sustainable venture. "Taking it to the next level" is probably the most common way to express that. "I hear variants of that quite often," says Tom Long, founder of small-business advisory Solid Oak Consulting. "They're saying, 'How can I have a real company?'"

There are probably as many definitions of "taking it to the next level" as there are entrepreneurs. Still, almost all owners of young businesses should consider some basic steps on their way to building "real" companies. Starting with seeking advice and ending with putting profits in the bank, here are eight moves that will help your business grow up.

1. Ask

Entrepreneurs are romanticized as being able to rely on themselves for inspiration and figure out problems on their own. However, the first step for any entrepreneur who wants to grow his or her business into a mature enterprise is to ask for help.

"Have [an advisory] board, and fill that board with diverse perspectives," says Donna Kelley, associate professor of entrepreneurship at Babson College. "You don't just want people who are cheerleaders for what you're doing." To recruit board members, ask professionals such as accountants and attorneys for recommendations, check the ranks of professional organizations and consider people in your industry who aren't direct competitors.

Next, actually use what you hear from your advisors. They've been there and you haven't, Kelley points out. "Learning from mistakes takes a long time. You can get through that process with fewer mistakes if you have advisors who have been through that experience and are outspoken."

Asking for help has benefited Gil Pili, founder of Cornerstone Books in Salem, Massachusetts, as he's tried to grow the 2-year-old bookstore. "Getting a second opinion is always a good idea," says Pili, 43, who expects sales of \$360,000 this year. "Talk to your accountant. Talk to the local chamber of commerce. Find someone you trust who has good business sense."

2. Focus

The final decision about what you're going to do as a business rests with you. It may seem simple, but many owners of young businesses struggle to decide where they'll focus--with undesirable consequences. "At this stage, so many opportunities present themselves," says Kelley. "You think you want to chase this or that, but you may be doing something that isn't profitable."

For Lawrence, choosing a focus was one of the main mile markers she passed during her first year in business. When she started, she was willing to take on anything related to events, from invitations to catering. But she soon decided to restrict herself to planning events and connecting clients with providers of outside services if necessary. Says Lawrence, "When people start businesses, they're so hungry that they're willing to do everything. I had to learn what [to] do and [not] do."

3. Formalize

Ask the owner of a young company where the business plan or operations manual is, and chances are he or she will point

to their head and say "It's all up here." That's not good enough if you want to grow to the next level. Get your policies, practices and plans outside of your mind and onto paper.

"Write down how the various business processes in [your] company need to be done," says Long. "Start on certain areas that are important, like what are the 10 or 20 things you do when you get a new client? What do you do when you get a new vendor? It doesn't have to be overly complicated to start." Once you've started writing your company's operations manual, you'll find it has many uses, from guiding decisions about whether to take on a particular client to helping you decide who to hire for an open position.

4. Hire

Don't have any other positions, open or otherwise? Hiring your first employee is something almost all entrepreneurs will have to consider if they are to grow up. Hiring is both a big commitment and an essential one. "Taking it to the next level typically means hiring more employees," says Teresa Thomae, director of the Central Coast Small Business Development Center. "But [here in California], our high housing costs are a huge impediment to attracting employees. There are also the taxes that California businesses pay for every employee, equal to over 30 percent of their basic wage. It's really expensive to bring on new folks."

Even entrepreneurs in less costly areas hesitate before expanding their payroll. "That was the hardest step: hiring someone to answer the phone and believing I could support not just myself, but someone else," Lawrence says. But once she added her first employee, Lawrence saw sales mushroom. Now she believes that hiring is an essential step in a business's growth. "Hire the person," she says. "You'll grow to the point where you can support it."

Once you've hired people, let them work. That's not as easy as it sounds. "The first obstacle is feeling a loss of control as [entrepreneurs] start to invest some responsibility in other people," Long says. Part of the reason for the discomfort is a simple unwillingness to hand over control. Another part comes from uncertainty in the process of finding, vetting, hiring and retaining employees who are trustworthy enough to handle the responsibility.

Long says the way to overcome this is to go step by step. Start by delegating functions you're comfortable letting go of, or those you are least uncomfortable relinquishing. "I have suggested that you don't have to prepare every check, but for the moment, you ought to keep signing them," Long says. "You have to start slowly weaning [yourself] away."

This is something you have to do, as you'll probably realize at some point. That point usually comes when your company has reached a certain sales level and you figure out that you won't double those sales by simply working twice as hard, Long says. But unless you write down job descriptions and take it slowly enough to remain comfortable, you may never be able to do it. Says Long, "[To] let go, you have to have enough confidence that what you put together will actually work."

6. Expand

Even while refining their focus and shedding distracting ventures, entrepreneurs trying to grow up a business also need to expand--to different markets, products and channels. For Dawn Stokes, founder and CEO of Texas Driving Experience, moving from offering only advanced accident avoidance courses for teenagers to hosting team-building events for corporations was critical in growing her 3-year-old company to projected sales of \$2 million for 2007. "I'd say the next level is additional locations," says the 48-year-old entrepreneur, whose offices are at the Texas Motor Speedway in Fort Worth.

Stokes wants to start holding team-building events--which let clients' employees drive high-performance Chevrolet Corvettes around NASCAR-style tracks--at other raceways around the country. She also hopes to expand the teen driving school regionally. Obstacles to both expansions include building relationships with track owners and managers and finding a way to effectively market to teens. "That's the next level for me," says Stokes, who employs 10 full-time workers and has dozens of subcontracted drivers. "The money and the people are just the way to support those things."

7. Fund

Many entrepreneurs successfully bootstrap their ventures through the startup phase, only to be stymied by the need for additional capital. "The frustration comes with getting access to the capital they need to bring it to a higher level," says Thomae. This can also be true of entrepreneurs who financed their startups with outside money, because the ramp-up time for a second-stage venture is longer, says Thomae. "Lenders will say, 'You need another \$500,000, but you're not going to see real, profitable growth [for] three or four years?' Sometimes it's a harder sell."

Getting outside funding is also a problem for many entrepreneurs because lenders and investors want a say in how the business is run. "Often, the new capital has strings attached," Thomae explains. Lenders may require that the debt-to-asset ratios stay below a certain level, while equity investors may ask for a seat on the board. These are both important reasons for having a board to begin with, learning to work with it and getting comfortable with letting go of some authority.

8. Profit

A startup's first exposure to sustained black ink is a critical step in growing up. Achieving profitability relies to largely on successfully navigating the previous steps. For instance, focusing helps you avoid unprofitable distractions. Building an advisory board prepares you for sharing control when you bring in outside investors.

Pili regards profitability as a key indicator of his business's maturity--even though he isn't there yet. "We're working at this,"

he says. "That's obviously number one." His efforts--allying with local schools and other organizations to take sales opportunities outside his store's walls and trying to attract big-name authors for events--are meant to hasten profitability.

Profit tends to play second fiddle to revenue in many entrepreneurs' plans. Pili, for instance, mentions boosting revenue by 20 percent this year before he talks about profitability. That's OK, as long as profits don't get ignored. "You need to be thinking about both," Kelley says. "Set multiple milestones so you aren't focused only on sales. You could end up selling a lot but not being profitable."

Stepping Up

Whatever "taking it to the next level" means to you, make an effort to explore it, and don't stop with the first benchmark that occurs to you. Entrepreneurs themselves would add that these should represent your unique vision and not just be benchmarks set by investors or other outsiders.

Finally, remember to pick a next level that challenges as well as inspires. "Think big," Stokes says. "Think bigger than you actually are, be bigger than you actually are. Whatever your company is, you have to do it faster, bigger and better."

Need a vacation? Go on, you've earned a little rest and relaxation. Besides, your business needs to learn how to function without you.

Many entrepreneurs have to overcome a highly personal obstacle: the burnout that settles in just as they're trying to move their company to the second stage. It's understandable and even natural, says Teresa Thoma, director of the Central Coast Small Business Development Center. "The energy and excitement and drive of the startup has somewhat dissipated, and people wonder, 'Now where do we go from here?'" she explains.

For entrepreneurs like Gil Pili, the answer is anywhere but here--but only for a little while. Pili, owner of Cornerstone Books in Salem, Massachusetts, considers being able to take Saturdays off as evidence that his business has reached an important new level. "Getting a good, stable staff has been key," he says. "We have some really good people running the store, so I can feel confident [about] not being there."

Some entrepreneurs want longer periods away and are willing to work for it. For Hope Lawrence, owner of Michelle Hope Events in Austin, Texas, taking a month off to travel through Europe in her business's third year was a long-term project. "It took me two years to get comfortable with it and feel [like] the staff was ready for me to be able to do that," she says.

Experts say getting out of the office is important for enterprises as well as entrepreneurs because it forces the company to operate without them. That, in turn, affects the business's value because it impacts the entrepreneur's long-term exit strategy and their ability to attract capital and top-shelf talent. What entrepreneurs ultimately want, says small-business consultant Tom Long, is sustainable business growth. "They want a company that has infrastructure," he says. "And ultimately, they want one that can operate even if they're not physically present."